ADDITIONAL FUNDS FOR DIRECT HOUSING LOANS

HEARING

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON VETERANS' AFFAIRS

HOUSE OF REPRESENTATIVES

EIGHTY-SECOND CONGRESS

SECOND SESSION

ON

H. R. 5884 and 5893

BILLS SEEKING TO PROVIDE ADDITIONAL FUNDS FOR DIRECT HOUSING LOANS

JANUARY 17, 1952

Printed for the use of the Committee on Veterans' Affairs

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CONTENTS

	Page
Adair, Hon. E. Ross	775–782
American Legion:	
Lavers, Ralph H	782–784
Olson, C. H	782
AMVETS: Wilson, Rufus H	785–786
Birdsall, Guy H. (*See* Veterans' Administration.)	
Disabled American Veterans: Foster, Charles E	784–785
Dorn, Hon. W. J. Bryan	759, 771, 777–778, 780–782, 784–786
Downer, Adin M. (*See* Veterans of Foreign Wars.)	
Foster, Charles E. (*See* Disabled American Veterans.)	
Housing loans, direct:	
Mortgage sales	759, 762–771, 773, 776
Default rate	781
Geographical areas	774–779, 783
Allocation to States and counties	778–780
Actual cost of program	760–662, 775, 781–783
Procedure for sale of mortgages	762–771
Kee, Hon. Elizabeth	771
Kelsey, Frank. (*See* Veterans' Administration.)	
King, T. B. (*See* Veterans' Administration.)	
McEwan, J. J. (*See* Veterans' Administration.)	
Lavers, Ralph H. (*See* American Legion.)	
Olson, C. H. (*See* American Legion.)	
Veterans' Administration:	
Birdsall, Guy H., Assistant Administrator for Legislation	771–775, 777, 782
Kelsey, Frank, Director of Finance	775–777, 779
King, T. B., loan guaranty officer	777–782
McEwan, J. J., finance officer	777–782
Veterans of Foreign Wars: Downer, Adin M	784
Wilson, Rufus H. (*See* AMVETS.)	

ADDITIONAL FUNDS FOR DIRECT HOUSING LOANS

THURSDAY, JANUARY 17, 1952

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE COMMITTEE ON
VETERANS' AFFAIRS,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10 a. m. in room 356, Old House Office Building, Hon. W. J. Bryan Dorn presiding.

Mr. DORN. The subcommittee will come to order.

We are meeting this morning to consider H. R. 5893, which seeks to make $150,000,000 available for direct loans by the Veterans' Administration where private lending agencies are unwilling or unable to make such loans.

By regulation, this program is limited to nonmetropolitan areas and is thus largely centered in the rural areas of the country. The loans cannot exceed $10,000 and the interest rate is set at 4 percent.

Such loans are made only after the Veterans' Administration has satisfied itself as to the ability of the veteran to repay the loan and only after private lenders have been afforded every opportunity to make such a loan.

Public Law 139 of the Eighty-second Congress, section 614, provided for an extension of this program for two additional years, or until June 30, 1953. It also provided for the creation of a revolving fund where repayments made on mortgages could be used again for making additional loans. The Veterans' Administration is at the present time endeavoring to sell some $108,000,000 in mortgages, and if this is accomplished, additional funds will be available for this purpose.

Without objection, I will insert at this point a copy of the bills and the Veterans' Administration report, together with certain other pertinent information.

(The documents referred to are as follow:)

[H. R. 5884, 82d Cong., 2d sess.]

A BILL To amend the Servicemen's Readjustment Act of 1944

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 513 (a) of the Servicemen's Readjustment Act of 1944, as amended, is hereby amended by striking out the sum "$150,000,000" and inserting in lieu thereof the sum "$300,000,000".

[H. R. 5893, 82d Cong., 2d sess.]

A BILL To make additional funds available to the Administrator of Veterans' Affairs for direct home and farmhouse loans to eligible veterans, under title III of the Servicemen's Readjustment Act of 1944, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 513 (a) of the

Servicemen's Readjustment Act of 1944, as amended, is hereby amended by striking out the sum "$150,000,000" and inserting in lieu thereof the sum "$300,000,000".

VETERANS' ADMINISTRATION,
Washington 25, D. C., January 15, 1952.

HON. JOHN E. RANKIN,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington 25, D. C.

DEAR MR. RANKIN: This will refer to your request for a report on H. R. 5893, Eighty-second Congress, a bill to make additional funds available to the Administrator of Veterans' Affairs for direct home and farmhouse loans to eligible veterans, under title III of the Servicemen's Readjustment Act of 1944, as amended.

The purpose of this measure is to amend section 513 (a) of the Servicemen's Readjustment Act of 1944, as amended, so as to increase the revolving fund for direct home and farmhouse loans to veterans from the presently authorized sum of $150,000,000 to $300,000,000.

Except for the title, H. R. 5893 is identical with H. R. 5884, Eighty-second Congress, a bill to amend the Servicemen's Readjustment Act of 1944, and this report will also serve as a response to your request for a report on the latter bill.

The program for direct loans was enacted by the Housing Act of 1950 (Public Law 475, 81st Cong., approved April 20, 1950) and provided the Administrator of Veterans' Affairs with temporary authority (through June 30, 1951), to make a maximum of $150,000,000 in direct home and farmhouse loans to veterans in areas where loans from private lending sources are unobtainable at an interest rate not in excess of 4 percent per annum. This authority was extended from June 30, 1951, to June 30, 1953, by section 614 of the Defense Housing and Community Facilities and Services Act of 1951 (Public Law 139, 82d Cong., approved September 1, 1951) and the direct loan fund, while not increased, was reconstituted as a revolving fund, thus permitting additional loans to be made as the fund was augmented by repayments, prepayments, and sales of mortgages to private lenders.

From the initiation of the direct-loan program in July 1950 through December 31, 1951, the Veterans' Administration had approved 19,448 direct loans with an initial principal amount of $134.4 million. An additional $13 million had been reserved for loans in process, bringing the total amount reserved through December 31, 1951, to $147.4 million. The remainder of the original $150 million authorization ($2.6 million), plus the amount recaptured through principal repayments to date (about $4.1 million) amounts to approximately $6.7 million. Since applications on hand for which reservations had not been made by December 31, amounted to about $20 million, it is evident that present funds will be exhausted shortly.

Of course under the revolving fund feature of the law now in effect, principal recaptured from loan repayments and sale of loans to private investors will become available for the making of additional direct loans. During the past few months principal repayments have amounted to between $400,000 and $500,000 per month. If the $150 million ceiling is continued, we cannot expect to recapture more than $500,000 per month from this source.

Accordingly, the ability of the Veterans' Administration to continue making direct loans in any significant volume will depend primarily upon the amounts recaptured through the sale of direct loans to private investors. The Veterans' Administration has initiated an active program to interest private investors in the purchase of these loans. Final procedures for effecting direct loan sales were distributed to Veterans' Administration regional offices on December 12, 1951, and a public announcement regarding the availability of such loans for purchase was made on December 20, 1951. Statistical reports now available do not furnish sufficient basis for any definite conclusion as to the degree of buyer interest which the market will exhibit.

In considering the proposal to increase the revolving fund to $300 million, it is of basic importance to determine, to the extent foreseeable, the volume of direct-loan applications by veterans in eligible areas which may be anticipated in the future. While it is impossible to make any firm estimate of the future demand for direct loans a review of the rate at which funds have been reserved since the direct-loan program was initiated gives at least some clue as to the prospective demand, subject to the assumption that there will be no major expansion in the areas eligible for direct loans.

During the 11-month period from the beginning of the direct-loan program to June 30, 1951, direct loans approved by the Veterans' Administration totaled over $105 million, an average of $9.6 million per month. During the 4 months following the extension of the program on September 1, 1951, an additional $42 million was reserved for direct loans, an average of $10.5 million per month. During September and October reservations averaged $17.5 million per month, although this average was undoubtedly inflated somewhat by the reprocessing of applications which were received prior to June 30, 1951, which could not be processed for approval prior to that expiration date. However, the volume dropped sharply to $3.6 million in November and $3.3 million in December, as many regions approached the maximum amounts allocated to them. It would appear reasonable to assume from the foregoing that at least $10 million per month will be needed to meet the probable demand by veterans in the rural and less populous sections of the country eligible for direct loans. With the prospect of recapturing less than $500,000 per month from principal repayments, it appears highly doubtful whether the sale of loans to private investors will be adequate to sustain such a demand, at least in the few months immediately ahead, in view of the current state of the mortgage market.

Another factor to be considered in relation to this proposal is the outlook concerning the supply of private mortgage capital. In recent months the Veterans' Administration and many financial analysts have held the expectation that the market would improve in the reasonably near future so as to release a much greater supply of funds for mortgage lending than is now available. Some of the primary reasons for this expectation are (1) the gradual disappearance of the tremendous volume of mortgage commitments entered into by mortgage lenders in the latter part of 1950 and early 1951, (2) the marked rise in liquid savings flowing into mortgage lending institutions, and (3) an expected decline in the availability of mortgage investments because of existing mortgage credit controls and controls on the amount of materials available for building new housing. It has been felt that these primary factors and others would tend to increase the supply of money seeking outlet in mortgage investment, including VA-guaranteed loans which carry a maximum interest rate of 4 percent per annum. This included the hope that such an improvement in the mortgage money market would not only increase the supply of GI loans in areas not designated as eligible for direct loans, but would also make it easier for the Veterans' Administration to sell its direct loans which have been made in eligible areas in order to make effective the revolving principle of the present $150 million direct loan fund.

It is now recognized that this expected trend has been halted somewhat by the uncertainty among lenders over the future structure of money yields which has been induced by the unanticipated softness recently apparent in the market demand for long-term Federal Government bonds. While it is still believed that the factors mentioned above will lead sooner or later to an improvement in the private mortgage money market, the fact remains that the availability of private mortgage capital for VA-guaranteed 4-percent loans has been greatly contracted in many communities of the United States. However, it is by no means true that the supply of private capital flowing into GI loans has virtually disappeared. Although the current monthly rate of GI home loan applications is substantially below the peak levels of 1950 when mortgage money was exceptionally easy to obtain, the Veterans' Administration is still receiving 25,000 to 30,000 GI home-loan applications each month and this rate does not compare unfavorably with many past periods since the inception of the loan-guaranty program. Most of the loans involved are being originated in the larger towns and urban centers and approximately one-quarter to one-third of current GI home loans are being provided by the mortgage-purchase program of the Federal National Mortgage Association.

The foregoing views and comments are intended to present various considerations bearing on the question of increasing the revolving fund from $150 million to $300 million, in the light of the fact that the Congress has already determined that the direct loan program should continue as a stand-by expedient for the additional temporary period ending June 30, 1953. It is pertinent also to comment briefly with respect to the relationship of the proposed additional direct loan fund to the general problem of inflationary pressures. It may well be argued that the provision of Government funds for this purpose, at this time, is inconsistent with the objective of restraining further credit expansion, particularly with Government exhortations to private lenders to curtail credit extension in many fields. On the other hand, the additional $150 million is a relatively small sum in terms of the total volume of mortgage credit and the

increased funds would be confined to those areas where private capital is not available for VA-guaranteed 4-percent loans. It is noteworthy also that in the smaller towns and semirural communities in which this program is primarily operating the inflationary pressure upon available material and labor supply is not so pronounced.

The authorization of an additional $150 million would doubtless result in pressure upon the Veterans' Administration to extend the scope of eligible direct loan areas so as to include some urban and metropolitan areas not now eligible. Despite some pressure in that direction which has already occurred by reason of the generally tight mortgage situation, we have maintained the general policy of not designating the larger cities as eligible. It is believed that this policy is justified on several basic grounds. Private lenders are still making 4-percent loans available in substantial numbers, although at a reduced level from the 1950 peak rate, in most of the urban centers. The legislative background of the direct loan program reflected a strong congressional intent to make direct loan funds available to veterans living in smaller towns and communities where VA-guaranteed 4-percent loans have never been available in any significant quantity from private lenders. Moreover, the amount of money available in the direct loan fund is so limited in relation to the national demand for GI loans that even were the supply of GI 4-percent loans to disappear in metropolitan areas, the resources available to the fund would not make it possible to serve the needs of veterans in the larger towns and urban centers.

This would be true even if the revolving fund were increased to the $300 million figure. The validity of this conclusion is supported by the fact that during the years 1950 and 1951 private capital was made available to veterans for GI loans at an average rate of approximately $200 million per month. In view of all these considerations, and in order to effectuate the underlying purposes of the direct lending program, it would appear that the Veterans' Administration should continue its present policy in the selection of eligible direct loan areas even though an additional $150 million were added to the fund. The higher authorization would assist in meeting the expected demand for GI loans in the smaller town and semirural areas but such a sum would be totally inadequate if it had to be made available also to the metropolitan and urban centers of the country. With respect particularly to these more populated areas, it is believed that the private capital supply for GI loans will begin to improve in 1952.

Due to the urgent request of the committee for a report on this measure, there has been insufficient time in which to ascertain from the Bureau of the Budget the relationship of the proposed legislation to the program of the President.

Sincerely yours,

O. W. CLARK,
Deputy Administrator
(For and in the absence of the Administrator).

VETERANS' ADMINISTRATION

Washington 25, D. C.

DECEMBER 12, 1951.

EMERGENCY INTERIM ISSUE (EM4B-7)

A. Basic administrative issue affected:

None.

B. Other issues affected

None.

C. Reason for issue

To provide interim instructions prescribing the policies and procedures which will govern the sale of direct loans by the Veterans' Administration.

D. Text of emergency interim issue

1. *Authority.*—Direct loans will be sold pursuant to the authority contained in section 512 (d) of the Servicemen's Readjustment Act of 1944, as amended, which reads as follows:

> "(d) The Administrator is authorized to sell, and shall offer for sale, to any private lending institution evidencing ability to service loans, any loan made under this section at a price not less than par; that is, the unpaid

balance plus accrued interest, and may guarantee any loan thus sold subject to the same conditions, terms, and limitations which would be applicable were the loan guaranteed under section 501 (b) of this title."

2. *Responsibility.*—The performance of the functions incident to the sale of direct loans, except as otherwise specified herein, is the responsibility of the loan guaranty officer in the regional office in which the mortgaged premises are situated. Loan guaranty officers in regions where no direct loans have been made will be expected to familiarize themselves with the direct loan sales program and to encourage the sale of direct loans to lending institutions within such regions.

3. *Eligible purchasers.*—Direct loans may be sold only to private lending institutions evidencing ability to service loans. The interest of the veteran borrower and of the Veterans' Administration as the original lender and subsequent guarantor requires that purchasers of direct loans be reputable, financially responsible institutions possessing operating facilities adequate to carry out the terms of sale agreements, the provisions of direct loan instruments, including the tax and insurance account provisions of such instruments, and the applicable loan guaranty regulations. In the case of supervised lenders and of established and reputable private lending institutions, qualification ordinarily may be presumed. On the other hand, if the identity of the prospective purchaser or other circumstances indicate that proper servicing may not be in prospect the loan guaranty officer should investigate the situation as may be necessary or appropriate and withhold action on the related offer pending the outcome of such investigation. If a broker or other individual wishes to negotiate for the purchase of mortgages as agent for a principal, the relationship and name of the principal must be disclosed, the principal must be an eligible purchaser, and such sale must be to the principal and not to the agent.

4. *Sales effort and prospectus.*—It is essential to the accomplishment of the objective of the law that an aggressive sales program be developed and pursued and loan guaranty officers are expected to do the things necessary to a prompt, orderly, and effective sales effort. To facilitate sales, appropriate national and local press releases will be initiated or authorized by central office, and sale prospectuses and brochures containing pertinent general information concerning mortgages for sale will be prepared from time to time under the direction of central office for distribution by loan guaranty officers to eligible purchasers. Information on the price, terms, amounts, and area location of mortage loans shall be made available promptly to interested eligible purchasers by loan guaranty officers; however, to avoid possible embarrassment or prejudice to the veteran mortgagors concerned by possible objectionable use of such information, the names of mortgagors and addresses of mortgaged premises should be available only to accredited representatives of responsible prospective purchasers. (See par. 14, hereof, for instructions on the preparation and maintenance of control media.) An impartial, fair, and cooperative relationship is to be maintained with the purchasers and prospective purchasers of direct loans. No charges shall be incurred for advertising the sale of direct loans except as authorized by central office. No brokerage or other fee will be paid by Veterans' Administration for the sale of direct loans.

5. *Mortgage selection and reservation.*—Specific mortgages or blocks of mortgages may be reserved to a prospective purchaser provided the loan guaranty officer is satisfied the reservation is sought in good faith for the purpose of inspecting the related documents or properties. Requests for reservation should be in writing specifically identifying the loans to be reserved by name of borrower, street address and loan number. Reservations will be granted over the signature of the loan guaranty officer in the form attached as exhibit A. Such reservations shall be for a limited period not to exceed 10 business days, which period should not be extended except for unusual circumstances and then only for such time as the loan guaranty officer may consider justified in the particular case. During this limited period, or an extension thereof, the purchaser at whose request the reservation was made shall have prior right to purchase all or any of the loans thus reserved at the price prevailing when the reservation was granted. The reservation thus has the nature of a limited option to buy. Examination of documents are to be expedited and conducted in the Veterans' Administration office where the instruments are located under conditions stipulated by the loan guaranty officer. No loan may be reserved for which a reservation or extension thereof is outstanding or if such loan is the subject of an existing offer. The Loan Guaranty Division will establish and maintain a register in which data will be recorded on all reservations granted and subsequent

transactions related thereto and which will serve as the basis for part of the periodic reports specified in paragraph 15, hereof.

6. *Sale requirements.*—All fully disbursed loans which are not delinquent or in dispute shall be held available for sale and may be sold provided the gratuity payable, if any, has been applied to the particular account. Sales will be made on an individual loan basis or in blocks in the discretion of the loan guaranty officer. All loans shall be sold pursuant to agreements executed in the form attached as exhibit B.

7. *Sales price.*—As prescribed by statute, no direct loan may be sold for less than par; i. e., the unpaid balance of the loan plus accrued interest to the date of settlement. The Director, Loan Guaranty Service, will from time to time advise loan guaranty officers by letter regarding the price at which direct loans are to be listed for sale. For the time being, and until the Director otherwise advises, direct loans are to be sold at par.

8. *Approval of sale and execution of sale agreement.*—Except for reservations granted pursuant to paragraph 5, hereof, no commitments oral or written shall be entered into other than in the form attached as exhibit B, which shall be submitted by the prospective purchaser executed in duplicate. All offers to purchase shall be serially numbered in an ascending unbroken sequence, beginning with No. 1 in each regional office, and a permanent numerical file shall be established as the repository for each offer and related correspondence and other papers dealing with the offer and its acceptance, if any; further, a register will be established and maintained for recording data on all offers received and subsequent transactions related thereto and such register will se. ve as the basis for the periodic reports, other than in respect to reservations, specified in paragraph 15, hereof. Upon acceptance by the loan guaranty officer an executed duplicate shall be returned to the purchaser with advice as to the settlement date, or dates if the number of loans involved warrants settlements on varying dates. Before acceptance the loan guaranty officer shall assure himself that each of the loans embraced in the offer is eligible for sale under the offer, e. g., is not subject to an outstanding reservation or prior offer, and is not currently delinquent.

9. *Processing sale agreements.*—Immediately upon acceptance of an offer to purchase, the appropriate sections of the Loan Guaranty Division shall initiate the steps necessary to consummate the transaction on the basis of advices showing the particular loans involved in the sale, e. g., copies of the accepted offer or otherwise, such as:

a. *Accounts Section.*—(1) Prepares a statement of settlement in the form attached as exhibit C, hereof, with interest accrued to the date of settlement for each direct loan involved. In each case, the statement will show the daily interest rate to be applied by the purchaser in computing additional interest for each day beyond the date of settlement in the event the settlement is postponed. The statement will be prepared in quadruplicate. The original and two copies will be forwarded to the direct loan agent. The remaining copy will be forwarded to the Control and Records Section, the examining section, and the Loan Service and Claims Section in that sequence.

(2) Flags the particular mortgage loan ledgers to indicate that the accounts are "frozen" as of the date of the settlement statement.

(3) Prepares a voucher, SF 1034, to disburse to the purchaser the aggregate amount of credit balances in the particular borrowers' tax and insurance accounts specifying that the Treasury check is to be mailed to the loan guaranty officer for delivery. Vouchers closing the tax and insurance accounts shall be processed under such time schedule as will insure receipt of the check by the loan guaranty officer in advance of the settlement date.

(4) In respect to any payments on accounts received after the mortgage loan ledgers are "frozen," advises the agent cashier in accordance with existing instructions to deposit the moneys in suspended credits (analytical control account 2079.4), and establishes records of such deposits on VA Form 4-6931. Such moneys will subsequently be disbursed to the purchaser as provided in paragraph 11.b. (1), below.

b. *Control and Records Section.*—(1) Upon receipt of the copy of the settlement statement (see subparagraph a.1, immediately above) enters thereon the next available serial number from the series used for home loans, noting the application register for home loans with an explanation of the assignment of such number and an indication that the case is not to be counted as an application for guaranty or insurance. To distinguish direct loans sold with a guaranty, the number of the gua anteed loan will carry the distinctive prefix "LHD" in lieu of "LHG" or "LH," but otherwise the components of the number will be assigned in the usual manner.

(2) Establishes a loan docket and VA Form 4-1807, the latter principally for showing the cross-reference to the direct loan number and the preparation of the guaranty certificate, as described below.

(3) Prepares VA Form 4-1808a, as appropriate, and annotates the particular VA Form 4-1808 to show the guaranteed loan number and purchaser.

c. *Examining Section.*

(1) Based on the copy of the settlement statement (referred to in subparagraph a. (1), immediately above), prepared VA Form 4-1899, to evidence the guaranty of the loan as though it were a section 501 (b) loan, with necessary modifications, as follows:

(*a*) In the block "Amount of Loan," type after the word "Loan" the additional words "On Date of Settlement" and insert in that block the amount of the indebtedness on the date of settlement, i. e., the unpaid principal balance of the loan plus accrued interest.

(*b*) Following the body of the certificate but above the title "Administrator of Veterans' Affairs," insert a sentence reading: "The original amount of the indebtedness for the purposes of this guaranty is that amount set forth above."

(2) Forwards the guaranty certificate to the direct loan agent.

d. *Loan Service and Claims Section.*—On the basis of the copy of the settlement statement (referred to in subpar. a (1), immediately above), appropriately adjusts the servicing records and files and forwards such records and files, together with the settlement statement copy, to the direct loan agent, for incorporation in the direct loan docket.

e. *Direct loan agent.*—(1) Forwards the original statement of settlement to the purchaser.

(2) Prepares the instruments of assignment and transfer in such form and manner as the chief attorney advises is proper. Such instruments will be executed by the loan guaranty officer.

(3) Assembles the package on each loan for delivery to the purchaser at settlement, including therein the note or other evidence of the obligation and the security instrument with the instrument of assignment and transfer, the guaranty certificate, all hazard insurance policies, properly endorsed to show new mortgagee, deposited with VA, the title evidence, the Treasury check covering the balance in the tax and insurance account, and a receipt for the documents and papers, such receipt to be executed by the purchaser at the settlement.

(4) Prepares the notice in the form shown as exhibit D, hereof, to be sent to the mortgagor following settlement, with a copy of the statement of settlement, as notice of the assignment of the loan.

10. *The settlement.*—The settlement in all respects shall proceed in strict adherence to the terms of the accepted offer. If a postponement or an adjournment appears justified, the VA representative is authorized to agree thereto. A new settlement date shall be stipulated in any agreement to postpone or adjourn a settlement. Such new settlement will be conducted on the basis of such modifications in the accepted offer as may be approved by the loan guaraty officer with the advice of the chief attorney. If not previously supplied, the VA representative at the settlement should obtain advice from the purchaser regarding the name and address of the person or firm where the mortgagor should make payments and have other dealings concerning the account, in order that the veteran may be so advised in the form attached as exhibit D.

11. *Action after settlement.*—Immediately following the settlement, the appropriate sections of the Loan Guaranty Division will proceed with the further actions necessary to complete the transfer of the loan from the status of a direct loan to that of a guaranteed loan, such as—

a. *Direct loan agent.*—(1) Forwards the purchaser's payment to the bonded collection clerk for retention pending transmittal to the agent cashier.

(2) Forwards all residual papers and documents (e. g., direct loan application, credit report, appraisal report, purchaser's receipt for documents, correspondence, etc.) to the Control and Records Section for incorporation in the docket for the guaranteed loan.

(3) Dispatches the notice of assignment, referred to in paragraph 9e (4), above, with copy of the statement of settlement, to the mortgagor.

b. *Accounts Section.*—(1) Prepares a voucher, SF 1034, to disburse to the purchaser the aggregate amount of payments on account deposited to suspended credits, as provided in paragraph 9a (4), above, specifying on the voucher that the Treasury check is to be sent to the Loan Guaranty Officer for delivery (with an appropriate letter of transmittal explaining the purpose of the check. The procedure stated in this subparagraph and paragraph 9a (4), above, will also be ob-

served to promptly relay to the purchaser any payments on the direct loan account which the mortgagor may send to VA at any time on or after the account is "frozen," e. g., after settlement.

(2) Completes the preparation of VA Form 4–1851, showing the distribution of the purchaser's check as to the particular direct loans and thereunder as to principal, interest, and gross gain, if any.

(3) Annotates the "remarks" column of the register of loans, VA Form 4–6935, to show the guaranteed loan number applicable to each direct loan sold.

c. *Control and Records Section.*—(1) Inserts in loan docket the documents and papers received from the direct loan agent.

(2) Initiates the preparation of VA Form 4–1813 on each direct loan sold in order to establish a punch-card record of the guaranteed loan. Except as provided herein in respect to the assignment of a loan number, the entry in the application register, the preparation of VA Form 4–1813, etc., the conversion of a direct loan to a guaranteed loan will not be reflected in the other registers and records of transactions leading up to a guaranteed or insured loan.

12. *Expenses of sales.*—The purchaser shall pay for all State stamps, recording fees, and all other expenses, except the cost of recording the power of attorney executed by the Administrator.

13. *Sales to Members of Congress.*—In view of the provisions of R. S. 3742 (18 U. S. C. 432) which forbids any contract being made with any Member of or Delegate to Congress, or any Resident Commissioner, no sale of direct loans shall be made to a Member of the Congress or Delegate to Congress.

14. *Control media.*—The punch card records on direct loans (see TB 4B–5, dated February 19, 1951) will be used for preparing lists and other media for controlling direct loans available for sale. In this regard, the following instructions will be observed for the purposes of this bulletin:

a. The lists and other control media will exclude those loans which—

(1) Have been paid in full; or

(2) Have become delinquent; or

(3) Have not had the gratuity applied thereto.

b. The following particular control media will be prepared:

(1) *The control list.*—On this list, loans will be arranged according to the geographical location of the property (i. e., all loans for each State will be grouped by county and thereunder, first, by city or post office and, second, by street address or RFD route). Within the control list, a new page should be started for each county and, if considered desirable, for each city or post office. The list will show the following data:

(*a*) Street or RFD route.
(*b*) City or post office.
(*c*) County.
(*d*) State.
(*e*) Loan number.
(*f*) Date of loan.
(*g*) Amount of loan.
(*h*) Period of loan (in months).
(*i*) Veteran's name.
(*j*) Year of birth.
(*k*) Monthly income.
(*l*) Net assets.

The control list will be available only to the VA employees designated by the loan-guaranty officer.

(2) *The screening list.*—On this list, loans will be arranged in exactly the same sequence as on the control list. The screening list, however, will show only part of the information included in the control list, as follows:

(*a*) City or post office.
(*b*) County.
(*c*) State abbreviation.
(*d*) Loan number.
(*e*) Date of loan.
(*f*) Amount of loan.
(*g*) Period of loan (in months).

The screening list will be open to interested eligible purchasers as general information on the availability of loans for purchase and the location of the properties involved.

(3) *Individual data sheets.*—There will be one of these sheets prepared for each direct loan available for sale. The same data shown for each particular loan on

the control list will also be entered on the individual data sheets, and in addition there will be recorded thereon or attached thereto a summary of the physical description of the property according to the appraisal report, including such items as lot size, type and style of dwelling, number of rooms (showing the number of baths and bedrooms separately), age of dwelling, heating plant, conveniences, etc. The individual data sheets will be open only to accredited representatives of responsible prospective purchasers in connection with the development of requests for reservations and offers to purchase.

(4) *Reproduced punch cards.*—Reproduced copies of the application and loan cards, from which the foregoing lists and data sheets will have been prepared, will be supplied the Loan Guaranty Division by the Administrative Division to be used as a tickler file and as the basis for making interim adjustments in the lists and data sheets by reason of the receipt of reservations and offers to purchase.

(c) The screening list and the individual data sheets will be open to review as specified above only within the VA regional office. However, extracts from the screening list may be released or forwarded to interested eligible purchasers, and similarly, the loan guaranty officer may in his discretion authorize special listings in the format of the control list to be supplied to the accredited representatives of responsible prospective purchasers for the purpose of facilitating the submission of offers to purchase.

(d) Entries in both lists and the individual data sheets will be annotated with symbols to denote loans covered by reservations and offers to purchase. When a request for a reservation is granted, the letter "R", followed by the date on which the reservation will expire, will be used and the letter "O" will be used to denote loans covered by pending offers to purchase. The entries in the lists and controls will be ruled out as soon as an offer to purchase those particular loans is accepted or in the event the loans are paid in full or become delinquent. Similarly, the corresponding reproduced cards will be hand grouped and filed by such categories to facilitate the preparation of adjusted lists.

(e) New control and screening lists should be prepared as frequently as may be warranted by changes, such as the approval of offers to purchase and the addition of new loans to the portfolio. If a relatively large number of loans are covered by one offer which is approved, the lists should be rerun from the remaining reproduced loan cards. Similarly, new lists, incorporating new fully disbursed loans, should be run periodically, at which time the Loan Guaranty Division should be supplied with individual data sheets and reproduced cards for such additions.

15. *Reports.*—Until further notice the reverse of each semi-monthly report on direct loans, VA Form 4-6942, will show data regarding direct loans which are subject to reservations outstanding or to pending and accepted offers of purchase or which have been sold, in the format attached as exhibit E, hereof. Further, each weekly report of collections (RCS 4D-28) will include as a separate figure the dollar amount of sales deposited and applied to the credit of mortgage loans receivable.

16. *Forms.*—The forms attached as exhibits A through D, inclusive, will be used temporarily and VA forms for the particular purposes will be subsequently provided the regional offices. In this connection, the comments and suggestions of the regional offices are invited both in respect to the forms and the procedures stated herein. All forms and form letters (and alterations to existing documents) prescribed herein will be individually typed until such time as standardized forms and form letters are made available.

17. *Administrative discretion.*—The Director, Loan Guaranty Service, is authorized to approve, if submitted in advance, exceptions to the procedure prescribed herein necessary to accomplish the objectives of this issue and otherwise within the limitations of the statute and the regulations.

O. W. Clark,
Deputy Administrator.

Exhibit A

Veterans' Administration

This will acknowledge your request to reserve for your inspection ------ direct loan accounts totaling approximately $. Listed on the attached schedule are the accounts in which you are interested and which have not been sold or reserved up to this date.

These accounts will be reserved for your inspection for a period of 10 business days from the date of this letter and will not be available for sale to any other

person during that time. VA files related to these accounts may be examined at this office at any time during regular business hours by your accredited representatives.

This reservation granted to you is not to be construed as an agreement for sale or as a commitment to sell by Veterans' Administration. If, after your examination of the properties and files, you determine to submit an offer for any or all of these loan accounts, you may do so by submitting an "Offer to Purchase Direct Loans," copies of which are enclosed for your use. During the period of this reservation your offer may be submitted at ------ percent of the outstanding balance, plus accrued interest to date of settlement. Such offer will be binding on Veterans' Administration only when it has been accepted in writing. If so accepted, an executed duplicate of the purchase agreement will be mailed to you promptly.

Very truly yours,

——— ———,
Loan Guaranty Officer or Designee.

Enclosure.

EXHIBIT B

No. ------

VETERANS' ADMINISTRATION

OFFER TO PURCHASE DIRECT LOANS

1. The undersigned, hereinafter referred to as the purchaser, hereby offers to purchase from the Administrator of Veterans' Affairs hereinafter referred to as the seller, those certain mortgage loan accounts listed and described on the reverse hereof at ------ percent of the principal balance due as of the date of settlement together with accrued interest at the rate of 4 percent per annum to date of payment. Any funds then on deposit in the tax and insurance account are to be transferred simultaneously to the purchaser and purchaser will accept the same and agree to maintain such tax and insurance account for and in behalf of the obligor all in compliance with the terms of the instruments securing the designated mortgage loan accounts.

2. The seller, by the acceptance of this offer, agrees to furnish the purchaser with an itemized statement of settlement and upon payment by the purchaser within the period set forth in paragraph 6 below of the amount shown therein to be due to principal, together with accrued interest to date of payment, will transfer, assign, and deliver to purchaser, without recourse, the related security instruments, all hazard insurance policies deposited with Seller, such title evidence as is now held by seller, together with a certificate of guaranty (VA Form 4-1899) guaranteeing 60 percent of all indebtedness outstanding from time to time, but not exceeding 60 percent of the indebtedness on the date of settlement, which certificate is to be issued with the understanding that no defense on the guaranty liability will be raised based on matters existing prior to the date of settlement, and particularly that no objection to title will be made by seller by reason of any defect in title existing prior to such date in the event of any claim filed on the guaranty or of any conveyance of the security to the Administrator of Veterans' Affairs pursuant to Veterans' Administration's loan guaranty regulations.

3. *Provided further:* If the seller agrees to accept this offer, it will remove or adjust to the satisfaction of the purchaser, within a reasonable period of time, any objections affecting the validity, priority, or proper transfer of the security instruments, provided written notice thereof is given to the seller within 60 days after the date of transfer, or, at the option of the seller, to reimburse the purchaser in the same amount paid to the seller plus the amount of any advances properly made under the terms of the security instruments, plus all accrued unpaid interest, less any sums paid to the purchaser for principal amortization, provided that purchaser by proper reassignment delivers to the seller the identical security instruments. The purchaser must also transfer to seller all balances in the tax and insurance account based on proper accounting therefor.

4. If the instrument securing any loan to be purchased is a deed of trust wherein an employee of the seller is the trustee, the seller upon acceptance of this offer will obtain the written consent of such employee in the form and manner requisite to effect his discharge as trustee and the substitution of a successor trustee selected by the purchaser.

5. Purchaser and seller agree that the term "security instrument," as used herein, refers to note, bond, mortgage, deed of trust, or any other written instrument evidencing and securing the loan indebtedness.

6. Payment of total amount due based on the statement of settlement furnished by seller is to be made not less than 10 days and not more than 20 days after the date purchaser is notified of the seller's acceptance of this offer. Such notification shall be deemed to have been given when a letter addressed to purchaser at ..... has been duly registered and deposited in the United States mail. The seller and the purchaser agree to adjust any loss of the other by reason of any error or omission in the settlement computations.

Dated, ... 195 ..

....
Purchaser.

Accepted, ... 195...
ADMINISTRATOR OF VETERANS' AFFAIRS
By .....
Loan Guaranty Officer
Seller

[Reverse]

VA loan No.	Name of borrower	Address of property

Exhibit C

STATEMENT OF SETTLEMENT		Direct Loan No. VA Loan No. LHD- Date of this statement	
Purchase Contract No.		Settlement date initially agreed upon	
To	Purchaser	From	Veterans' Administration
Mortgagor		Mortgagor's mailing address	
Property address			

A	B	C	D	E
Principal balance (including advances)	4 percent interest accrued to above settlement date	Amount to be paid by purchaser (A + B)	Daily interest accrual rate*	Balance in T and I account**
$	$	$	$	$

Monthly payment		Installment due date
Interest and principal	T and I	
$	$	Last monthly installment paid was for month of:

Checks should be drawn to the order of the Treasurer, United States.

*In the event of a postponement of the settlement, add to the amount shown in Block C, interest at the rate shown in Block D, from the date of settlement initially agreed upon to and including the new settlement date.

**To be paid over to purchaser by VA at the settlement.

Any payment received by VA on this account subsequent to the date of this statement will be paid over to the purchaser after settlement.

This statement correctly reflects the account according to VA records, exclusive of the premium payable by purchaser, if any.

Loan Guaranty Officer or designate.

Exhibit D

Veterans' Administration

This is to inform you that Veterans' Administration has sold and transferred your direct loan to a private lending institution as provided by law. Since Veterans' Administration no longer holds your loan all future payments of principal and interest and all payments for the tax and insurance account should be made to the new holder. Also any questions you may have and all future dealings concerning your account should be with the new holder whose name and address is:

In making the sale, the loan documents including title evidence, insurance policies, tax receipts and similar material have been transferred to the new holder.

One of the purposes of the sale of your loan is to provide the Veterans' Administration with more funds with which to make direct loans to other veterans who

are unable to obtain a GI loan at 4 percent from private sources. The Veterans' Administration appreciates the fact that you maintained your account in such good standing that it could be sold to a responsible private lending institution. This is as it should be. By keeping your account in good standing you have indirectly contributed to aid another veteran to purchase or acquire a home, or to construct or improve a farmhouse, as the law provides.

In connection with the sale of your loan the Veterans' Administration is assuming the position of a guarantor and if you should fail to make your payments as agreed the holder may file a claim for the guaranty. As guarantor we are interested in your continuing to maintain your account in a current condition, and we urge you to make certain that your loan does not default since any amounts which are paid under the guaranty will result in a debt due from you to the Government for which you will be held fully accountable.

We enclose a statement of settlement for your information. This statement shows the balance of your indebtedness at the date the statement was prepared. If you have made a payment since that date, but before receipt of this letter, your account will be properly credited and it will be unnecessary for you to communicate with us in regard thereto.

Very truly yours,

Loan Guaranty Officer or Designee.

EXHIBIT E

[To be shown on reverse of VA Form 4-6912]

Report on sale of direct loans

	Number of reservations, offers, or sales	Number of loans	Original principal amount
A. Reservations for sales of mortgage loans:			
1. Made during period			
2. Outstanding—end of period			
B. Offers to purchase:			
3. Outstanding, beginning of period			
4. Received during period			
5. Withdrawn or canceled during period			
6. Accepted (purchase contract) during period			
7. Outstanding, end of period (3+4−5−6)			
C. Purchase contracts:			
8. Awaiting settlement, beginning of period			
9. Executed during period (line 6)			
10. Withdrawn or canceled during period			
11. Sales closed during period			
12. Awaiting settlement, end of period (8+9−10−11)			
D. Comments: (Describe the response of lenders to the direct loan sales program. Includes a breakdown of entries in lines 1 and 4 by type of lender and whether lenders located within or outside region.)			

Mr. DORN. Mrs. Kee is unavoidably absent but she wishes the record to show that she is very much in favor of this proposal. She has studied it and states that she is very much in favor of it.

At this point we will now hear from Mr. Guy H. Birdsall, Assistant Administrator for Legislation of the Veterans' Administration.

STATEMENT OF GUY H. BIRDSALL, ASSISTANT ADMINISTRATOR FOR LEGISLATION OF THE VETERANS' ADMINISTRATION

Mr. BIRDSALL. Mr. Chairman and Congressman Adair, I have with me the Assistant Administrator for Finance, Mr. Frank Kelsey, and the Director of the Loan Guarantee Service, Mr. King, who are available to supplement any statement that I may make and to answer questions.

In view of the very material factors that are covered in the VA report with reference to this particular matter, if there is no objection, I will follow pretty carefully the statements made by the VA.

The purpose of this measure is to amend section 513 (a) of the Servicemen's Readjustment Act of 1944, as amended, so as to increase the revolving fund for direct home and farm-house loans to veterans from the presently authorized sum of $150,000,000 to $300,000,000.

Except for the title, H. R. 5893 is identical with H. R. 5884, Eighty-second Congress, a bill to amend the Servicemen's Readjustment Act of 1944, and this report will also serve as a response to your request for a report on the latter bill.

The program for direct loans was enacted by the Housing Act of 1950 (Public Law 475, 81st Cong., approved April 20, 1950) and provided the Administrator of Veterans' Affairs with temporary authority (through June 30, 1951), to make a maximum of $150,000,000 in direct home and farmhouse loans to veterans in areas where loans from private lending sources are unobtainable at an interest rate not in excess of 4 percent per annum. This authority was extended from June 30, 1951, to June 30, 1953, by section 614 of the Defense Housing and Community Facilities and Services Act of 1951 (Public Law 139, 82d Cong., approved September 1, 1951) and the direct loan fund, while not increased, was reconstituted as a revolving fund, thus permitting additional loans to be made as the fund was augmented by repayments, prepayments, and sales of mortgages to private lenders.

From the initiation of the direct-loan program in July 1950, through December 31, 1951, the Veterans' Administration had approved 19,448 direct loans with an initial principal amount of $134.4 million. An additional $13 million had been reserved for loans in process, bringing the total amount reserved through December 31, 1951, to $147.4 million. The remainder of the original $150 million authorization ($2.6 million), plus the amount recaptured through principal repayments to date (about $4.1 million) amounts to approximately $6.7 million. Since applications on hand for which reservations had not been made by December 31, amounted to about $20 million, it is evident that present funds will be exhausted shortly.

Of course, under the revolving fund feature of the law now in effect, principal recaptured from loan repayments and sale of loans to private investors will become available for the making of additional direct loans. During the past few months principal repayments have amounted to between $400,000 and $500,000 per month. If the $150 million ceiling is continued, we cannot expect to recapture more than $500,000 per month from this source.

Accordingly, the ability of the Veterans' Administration to continue making direct loans in any significant volume will depend primarily upon the amounts recaptured through the sale of direct loans to private investors. The Veterans' Administration has initiated an active program to interest private investors in the purchase of these loans. Final procedures for effecting direct loan sales were distributed to Veterans' Administration regional offices on December 12, 1951, and a public announcement regarding the availability of such loans for purchase was made on December 20, 1951. Statistical reports now available do not furnish sufficient basis for any definite conclusion as to the degree of buyer interest which the market will exhibit.

In considering the proposal to increase the revolving fund to $300 million, it is of basic importance to determine, to the extent foreseeable, the volume of direct loan applications by veterans in eligible areas which may be anticipated in the future. While it is impossible to make any firm estimate of the future demand for direct loans a review of the rate at which funds have been reserved since the direct loan program was initiated gives at least some clue as to the prospective demand, subject to the assumption that there will be no major expansion in the areas eligible for direct loans.

During the 11-month period from the beginning of the direct loan program to June 30, 1951, direct loans approved by the Veterans' Administration totaled over $105 million, an average of $9.6 million per month. During the 4 months following the extension of the program on September 1, 1951, an additional $42 million was reserved for direct loans, an average of $10.5 million per month. During September and October reservations averaged $17.5 million per month, although this average was undoubtedly inflated somewhat by the reprocessing of applications which were received prior to June 30, 1951, which could not be processed for approval prior to that expiration date. However, the volume dropped sharply to $3.6 million in November and $3.3 million in December, as many regions approached the maximum amounts allocated to them. It would appear reasonable to assume from the foregoing that at least $10 million per month will be needed to meet the probable demand by veterans in the rural and less populous sections of the country eligible for direct loans. With the prospect of recapturing less than $500,000 per month from principal repayments, it appears highly doubtful whether the sale of loans to private investors will be adequate to sustain such a demand, at least in the few months immediately ahead, in view of the current state of the mortgage market.

Another factor to be considered in relation to this proposal is the outlook concerning the supply of private mortgage capital. In recent months the Veterans' Administration and many financial analysts have held the expectation that the market would improve in the reasonably near future so as to release a much greater supply of funds for mortgage lending than is now available. Some of the primary reasons for this expectation are (1) the gradual disappearance of the tremendous volume of mortgage commitments entered into by mortgage lenders in the latter part of 1950 and early 1951, (2) the marked rise in liquid savings flowing into mortgage lending institutions, and (3) an expected decline in the availability of mortgage investments because of existing mortgage credit controls and controls on the amount of materials available for building new housing. It has been felt that these primary factors and others would tend to increase the supply of money seeking outlet in mortgage investment, including VA-guaranteed loans which carry a maximum interest rate of 4 percent per annum. This included the hope that such an improvement in the mortgage money market would not only increase the supply of GI loans in areas not designated as eligible for direct loans, but would also make it easier for the Veterans' Administration to sell its direct loans which have been made in eligible areas in order to make effective the revolving principle of the present $150 million direct loan fund.

It is now recognized that this expected trend has been halted somewhat by the uncertainty among lenders over the future structure of

money yields which has been induced by the unanticipated softness recently apparent in the market demand for long-term Federal Government bonds. While it is still believed that the factors mentioned above will lead sooner or later to an improvement in the private mortgage money market, the fact remains that the availability of private mortgage capital for VA-guaranteed 4-percent loans has been greatly contracted in many communities of the United States. However, it is by no means true that the supply of private capital flowing into GI loans has virtually disappeared. Although the current monthly rate of GI home-loan applications is substantially below the peak levels of 1950 when mortgage money was exceptionally easy to obtain, the Veterans' Administration is still receiving 25,000 to 30,000 GI home-loan applications each month and this rate does not compare unfavorably with many past periods since the inception of the loan guaranty program. Most of the loans involved are being originated in the larger towns and urban centers and approximately one-quarter to one-third of current GI home loans are being provided by the mortgage-purchase program of the Federal National Mortgage Association.

The foregoing views and comments are intended to present various considerations bearing on the question of increasing the revolving fund from $150 million to $300 million, in the light of the fact that the Congress has already determined that the direct loan program should continue as a stand-by expedient for the additional temporary period ending June 30, 1953. It is pertinent also to comment briefly with respect to the relationship of the proposed additional direct loan fund to the general problem of inflationary pressures. It may well be argued that the provision of Government funds for this purpose, at this time, is inconsistent with the objective of restraining further credit expansion, particularly with Government exhortations to private lenders to curtail credit extension in many fields. On the other hand, the additional $150 million is a relatively small sum in terms of the total volume of mortgage credit and the increased funds would be confined to those areas where private capital is not available for VA-guaranteed 4-percent loans. It is noteworthy also that in the smaller towns and semirural communities in which this program is primarily operating the inflationary pressure upon available material and labor supply is not so pronounced.

The authorization of an additional $150 million would doubtless result in pressure upon the Veterans' Administration to extend the scope of eligible direct loan areas so as to include some urban and and metropolitan areas not now eligible. Despite some pressure in that direction which has already occurred by reason of the generally tight mortgage situation, we have maintained the general policy of not designating the larger cities as eligible. It is believed that this policy is justified on several basic grounds. Private lenders are still making 4-percent loans available in substantial numbers, although at a reduced level from the 1950 peak rate, in most of the urban centers. The legislative background of the direct-loan program reflected a strong congressional intent to make direct-loan funds available to veterans living in smaller towns and communities where VA-guaranteed 4-percent loans have never been available in any significant quantity from private lenders. Moreover, the amount of money available in the direct loan fund is so limited in relation to

the national demand for GI loans that even were the supply of GI 4-percent loans to disappear in metropolitan areas, the resources available to the fund would not make it possible to serve the needs of veterans in the larger towns and urban centers.

This would be true even if the revolving fund were increased to the $300 million figure. The validity of this conclusion is supported by the fact that during the years 1950 and 1951 private capital was made available to veterans for GI loans at an average rate of approximately $200 million per month. In view of all these considerations, and in order to effectuate the underlying purposes of the direct lending program, it would appear that the Veterans' Administration should continue its present policy in the selection of eligible direct-loan areas even though an additional $150 million were added to the fund. The higher authorization would assist in meeting the expected demand for GI loans in the smaller town and semirural areas but such a sum would be totally inadequate if it had to be made available also to the metropolitan and urban centers of the country. With respect particularly to these more populated areas, it is believed that the private capital supply for GI loans will begin to improve in 1952.

It was not possible to secure the advice from the Bureau of the Budget as to the relationship of this proposed legislation to the program of the President due to the urgent request of the committee.

Mr. ADAIR. Mr. Birdsall, that report answered a number of questions that I had in my mind. Incidentally, I did have some because when I was home there were several inquiries directed to me about this whole program from people who are interested in it. In general, as I have just said, your report answers most of the questions. There are two or three things which I would like to explore a little more extensively with you.

In your statement you intimated that the Veterans' Administration has not had an opportunity yet to form a very good opinion as to the loss history on these loans. Am I correct in that?

Mr. KELSEY. You mean losses because of defaults?

Mr. ADAIR. Losses because of defaults; yes, sir.

Mr. KELSEY. The record to date has shown very few losses, as I understand it, even less than our payments on claims of guaranteed loans, which has been at a low figure, roughly one-half of 1 percent of all loans made.

Mr. ADAIR. In other words, then, you would say that under this program the loss to date has been less than one-half of 1 percent.

Mr. KELSEY. Yes, sir.

Mr. ADAIR. Perhaps this is not entirely a fair question, but do you see any factors which would lead you to expect that that ratio might change or do you anticipate that over a long period that might be a fair figure?

Mr. KELSEY. I think that it is a fair figure and I think our experience to date is indicative of what may continue because of the fact that in the direct-loan procedure there is an examination of the application and of the prospects of the veteran to carry the loan which are not always present in the loans which are guaranteed. In other words, an automatic guaranty may be granted a lender under certain conditions and fifty-some-odd percent of our guaranteed loans are made by the supervised lenders who may have an automatic guaranty, and in those circumstances, the examination of the veteran as to his ability

to pay and that sort of thing is done by the lender and not by the Veterans' Administration. So that there is a more direct control over the eligibility of the applicant for the loan in the direct-loan program.

Mr. ADAIR. And his probable ability to repay.

Mr. KELSEY. Yes, sir.

Mr. ADAIR. In the report, to pursue that line of thought a little further, it was indicated, I believe, since December 12 instructions have gone out to the regional offices regarding the disposition of these mortgages. Are you able to amplify to any extent what you have said in the report about the purchase of these by private institutions?

Mr. KELSEY. No, sir; not to any extent. The information was released to the newspapers and published in the trade journals just before Christmas, so that, with the holiday season and the short space of time which has elapsed, we have very little information as to sales. In fact, we have just one figure of some $26,000 in one place. There has been some indication in other spots of interest in buying these mortgages, but we actually have no experience which is of value at this time.

Mr. ADAIR. I take it that the attitude of the Veterans' Administration is that, even though a considerable interest be demonstrated on the part of the buyers and that many of these mortgages be sold, the additional amount of $150,000,000 should be made available.

Mr. KELSEY. The facts which we have indicated in this report of the Veterans' Administration show that the purpose of the direct loans cannot be met unless 4-percent money is available in these various rural communities. The decision, of course, is for the Congress as to whether the funds should be increased to take care of the spots where 4-percent money is not available. The record does show that there are many, many places in the country right now where 4-percent money is not available.

Mr. ADAIR. The point I am trying to get at is: Would it be conceivably possible, under any circumstances, that enough of these presently existing mortgages might be purchased by private capital so that the additional $150,000,000 would not be necessary to carry out the program as now established.

Mr. KELSEY. Of course, without experience as to the acceptability of these 4-percent mortgages to buyers, it is now easy to answer your question.

Mr. ADAIR. I recognize that.

Mr. KELSEY. There is this factor involved: that if lenders are not willing to make 4-percent loans generally with the Government guaranty, as to just what interest they may have in buying these loans which have been made at 4 percent. There is, of course, some difference probably in their expense. In other words, these loans have already been examined and acted upon, and there would be somewhat less expense in the processing of the purchase of those loans in blocks, for example, than there would be in making individual 4-percent loans. But again we would have to say that we have so little experience that we are not in a position to say that the revolving feature could take care of the needs of direct lending.

Mr. ADAIR. In that last remark you have touched on something that is in my mind, and that is: Have we given the revolving feature at this point a fair test or would, say, another period of time be

necessary before we would know whether the revolving feature would provide enough assets to continue the program?

Mr. KELSEY. I am sure we have not had an opportunity to give it a fair test simply because we don't know yet what the reaction of the buyers is.

Mr. ADAIR. I have one or two other points. Reference was made to the fact—and we are all aware that it is the program—that these loans be made particularly available in rural areas or small towns. I believe the wording was that larger cities were excluded. What do you mean by "larger cities"? Has there been a policy established on that, some measuring stick?

Mr. BIRDSALL. There is a policy of the Administrator on that.

Mr. KELSEY. I will ask Mr. King, the Director of the Loan Guaranty Service, to answer that.

Mr. KING. Mr. Congressman, we have not extended the area of eligibility to any city in the United States that has a population, we will say, of as much as 100,000. We rely considerably upon the recommendations of our local officers as to the designation of a specific area or specific city. But, with one or two exceptions, as to cities somewhere between 50,000 and 100,000 in population, we have not made any urban area in the United States eligible for these direct loans.

We point out in this letter here that we would be desirous of continuing that policy whether or not the additional $150,000,000 may be authorized. We point out that, were we to enlarge to any considerable degree upon that policy, we would be getting ourselves into an inflationary spiral as to these loans, particularly in the event that anticipations are borne out and an increase in 4-percent money from private sources becomes more generally available during the coming year.

Mr. ADAIR. Is this a fair statement of your position: that there have been none of these loans made in cities in excess of 100,000 and very few in the cities from 50,000 to 100,000? Do I understand you correctly on that?

Mr. KING. Let me get that confirmed. Mr. McEwan, is there any city in this country on the eligible list that is in excess of 100,000 in population?

Mr. MCEWAN. I don't have the population figures here. I was just going to suggest that we might want to qualify that a little bit. There are two that I know of, Scranton and Norfolk, which probably exceed the 100,000 figure of population. But, aside from those two areas, which have very special circumstances affecting the availability of funds, there are very few. There are no others I can think of above the 100,000. Possibly there may be one in North Carolina. But, aside from those two or three instances, the number in the population range from 50,000 to 100,000 is very small. It couldn't be more than a dozen, and the great bulk of them are in communities where there is no town larger than 50,000—as a matter of fact, less than 25,000 in most instances. We can, if the committee members would like, furnish statistics to show that situation.

Mr. ADAIR. Thank you. So far as I am concerned, I do not believe I would need further statistics, unless the chairman would.

Mr. DORN. I just wondered if you had any idea, of these 25,000 to 30,000 applications that are coming in monthly right now, what percent of them are from smaller communities.

Mr. KING. I would say that better than 90 percent would be from smaller communities, Mr. Chairman.

Mr. DORN. You would mean by "smaller communities" even less than 25,000; is that right?

Mr. KING. Certainly less than 50,000 in population and in all probability down along the 25,000 group.

Mr. MCEWAN. Excuse me. I think the Congressman was talking about 25,000 to 30,000 guaranteed loan applications being received each month.

Mr. KING. I'm sorry. I understood you were talking about direct-loan applications.

Mr. DORN. No; I am talking about these new applications. Do they come from the group from 50,000 to 100,000 or from the smaller cities?

Mr. KING. The direct-loan applications are counted in only from eligible areas. So, of necessity, they would have to come from these semiurban or nonurban areas. But to allow a safety factor there for these two or three half-dozen urban areas, I put the factor at 90 percent.

Mr. DORN. Thank you.

Mr. ADAIR. Now, could you give us some enlightenment upon the geographical distribution of the areas which have been certified as being available for this type of loan, and now I am speaking of a direct loan.

Mr. KING. Perhaps this statistic will afford you a perspective that will meet what you have in mind. Out of about 3,100 counties in the United States, we have designated somewhat in excess of 2,600 counties as eligible for direct loans.

Mr. ADAIR. And those represent, I take it, every State in the Union.

Mr. KING. With several exceptions, such as the State of Massachusetts, where we find the supply of private capital, due to special banking factors, is relatively good in comparison with other States.

Mr. MCEWAN. Excuse me. I have the list of the States that are not eligible. Would you like to hear that?

Mr. ADAIR. Yes, sir; I would.

Mr. MCEWAN. The State of Connecticut has no eligible direct-loan areas; the State of Delaware; the District of Columbia and the greater metropolitan Washington area; Hawaii is not eligible; Massachusetts is not eligible; New Hampshire has no eligible direct-loan areas; New Jersey has none; the metropolitan area of New York City has none; the Philadelphia metropolitan area has none; and the State of Rhode Island has none.

I might just point out that, of the 2,600 counties that have been designated, in a number of cases it has not been the entire county. It has been the county less the urban part of the county; i. e., less the cities in the county. In many instances, we have found there have been GI loans available in the towns and the larger cities in the county but not in the peripheral areas.

Mr. ADAIR. In other words, all or some part of 2,600 counties.

Mr. MCEWAN. Yes, sir.

Mr. ADAIR. Now, if somebody could give me a little clarification on this matter, I would appreciate it. Has there been any conflict found as between the operation of the program for GI loans, the guaranteed

loans, and these direct loans, or do they complement each other? Is there any observation upon that point?

Mr. KING. To a certain extent, Mr. Congressman, they have complemented each other, and that would continue to be true under the maintenance of our present policy of not designating urban areas. Where they would supplement one another, we would have an inflationary aspect that would perhaps be inconsistent with the aims that apparently the Congress now has over-all of softening the inflationary accompaniments of the defense program.

Mr. ADAIR. Would you say that most of the guaranteed or insured loans are made in urban areas?

Mr. KING. As to the guaranteed or insured loans, the great percentage of those are made in urban areas; yes, sir. In that word "urban," I am including the suburbs of the cities of the country.

Mr. ADAIR. Now, it is my understanding that this fund, the presently existing $150,000,000, was allocated to the several States. Is that correct?

Mr. KELSEY. Yes, sir.

Mr. ADAIR. Upon what basis was that allocation made?

Mr. KELSEY. It was on the basis of figures submitted by our local offices in the various States, and of course the allocation goes down to the particular counties, as a matter of fact, that have been declared eligible for direct lending, taking into consideration the load, the applications which have been submitted, and I believe also giving some consideration to the relative veteran population.

Mr. KING. Basically, it was an allocation based upon veteran population.

Mr. ADAIR. Who made that allocation?

Mr. KING. The central office of the Veterans' Administration.

Mr. ADAIR. In other words, am I correct in understanding that you received information from the various regional offices or even local offices and then based upon that information you—and by "you" I am speaking of the Veterans' Administration—took that $150,000,000 and broke it down first as to the various States; is that correct?

Mr. KELSEY. To parts of States which were represented by the particular regional offices, because, as you may know, in some States we have two or more regional offices.

Mr. ADAIR. In other words, you broke it down to regional offices and not to States; is that correct?

Mr. KELSEY. That is correct.

Mr. ADAIR. I am trying to follow the course of these things. Then, from those regional offices, what happened to these allocations of funds?

Mr. KING. Basically, we first determined eligible areas in consultation with the local office. Then, having that pattern in hand, we allocated proportionally the available funds, taking into consideration primarily the factors of relative veteran population and relative use of guaranty entitlement by that population. That being done, we had in hand the dollar factor available from the whole to give to the specific region. That was given to the region with discretion in the loan-guaranty officer to reallocate within the region, either geographically or by setting aside a part of the fund for a special purpose, such as farmhouse loans or construction loans. We felt that type of reallocation might be necessary in order to avoid a specific town within the

area which might have a large building project under way from moving in "fustest with the mostest" and getting an inequitable portion of the available money.

Mr. ADAIR. Have you found, then, that the allocations to the various regional offices have been used at a fairly uniform rate or have some exhausted their allocations much more rapidly than others?

Mr. KING. Some have exhausted their funds at an earlier date than others. Since the extension of the law on September 1, we have already made supplemental advances or allocations to the great majority of the regions. There are still some regions that have or had as of December 31 a small unused portion of their original allocation.

Mr. ADAIR. From what source did you make that supplemental allocation?

Mr. KING. We made it partly from a reserve that we had held back for that purpose and partly from the roughly $400,000 to $500,000 that we collect in principal repayments each month.

Mr. ADAIR. Have you found that there is a greater demand for this type of loan in any particular geographical area than in other areas in the United States? Are you able to give any statement on that?

Mr. KING. I couldn't say, Mr. Congressman, except to say that it seems to be there is a greater demand from the rural area. Now, of necessity demand is shaped by the designation of areas in the first instance. There has been a demand from practically every place in the United States as the supply of private capital in relation to demand may have fluctuated temporarily.

Mr. ADAIR. Are there provisions in the program whereby if one region has an excessive amount it may be withdrawn from that region and allocated to other regions?

Mr. KING. Well, as a matter of fact, laying down principles in advance, we have stated that we would not do that. I am not sure that we have adhered faithfully to that principle in administration. We stated, for example, that were Illinois to have $10,000,000, just to pick a figure, on the basis of an equitable distributive pattern initially, and Tennessee were to have only $2,000,000, and Tennessee used its $2,000,000 first, we would not take from Illinois to give to Tennessee or, conversely, if Illinois used the $10,000,000 first, we would not take any of the $2,000,000 from Tennessee to help Illinois out, because in doing that we would negative the equitability of our own initial distributive pattern and we would be inducing inequity by our own administrative processes.

Mr. ADAIR. And you felt that the initial pattern was made on such principles as to be a fair one.

Mr. KING. Yes, sir; essentially so.

Mr. ADAIR. I think that is all, Mr. Chairman.

Mr. DORN. Mr. King, there has been some complaint in the past and I have had some complaint from people on farms that it was harder for them to get one of these loans than someone in a smaller town. Now, that may be due to the lack of a steady income on the farm or other factors. Do you have anything to say on that subject? Just what do you mean by rural areas?

Mr. KING. There are a variety of terms that could be used here, such as nonurban instead of rural and so forth, but basically, as I am sure you know, Mr. Chairman, when you get farther from urban centers, you have a relative increasing stringency of credit. In the

housing field particularly that is due, in large part, to the fact that housing finance is satisfied or taken care of by out-of-region money. Out-of-region money, such as the funds from large investors, including insurance companies, usually does not go beyond the periphery of the urban area. In their designation of areas, they are practically forced, from the standpoint of internal economy or economy of operations, to restrict the area in which they put their money for the sake of more economic servicing.

Mr. DORN. The total of $150,000,000 has been allocated for this program. What has been the actual cost to the Government?

Mr. KING. Well, Mr. Chairman, there is a peculiar factor in this direct loan program in that we derive income from which we might meet some losses. No one could hazard any creditable figure as to the losses or expenses that we were incurring or might incur.

Mr. DORN. That brings up this question. How does the default rate of the Veterans' Administration loans compare with loans from other agencies? Do you have any general statement on that? Is it higher or lower?

Mr. KING. Mr. Chairman, you have offered me an opportunity to get one little word of propaganda in here.

Mr. DORN. Go right ahead.

Mr. KING. The default rate on VA-guaranteed loans has surprised everybody that has any acquaintance with the program. Many comparable statistics show that the credit-worthiness of the veterans who have used their guaranty entitlement goes better than 2 to 1 in comparison with conventional financing. When I say that, I am relying primarily upon statistics which are compiled by the Home Loan Bank Board. I am relying also on the very prideful comments which have been offered to me by the executives of many large lending institutions, such as insurance companies. One gentleman told me last Monday they still had not had a VA foreclosure, although they have been participating in the program for 5 years. And I rely also upon our own statistics, which are very complete in that regard.

Mr. DORN. Thank you, Mr. King, that is very interesting.

Mr. ADAIR. I have just one more question, Mr. Chairman, if I may. Would it be the opinion of you gentlemen that an amount less than $150,000,000 would serve to carry on the program or is it a question that if you are going to have the program it is going to require $150,000,000 to do so.

Mr. KING. Arithmetically, Congressman Adair, with the best of sales experience, we could cover application volume with the present $150,000,000. But that requires the best of experience.

Mr. ADAIR. We are getting that, aren't we?

Mr. KING. No, sir. As Mr. Kelsey pointed out, we haven't had any experience to date in the sales program, which is the key underlying my remark.

Mr. ADAIR. It has just been in operation a month.

Mr. KING. Yes, sir. Now, I am using a very simple equation as a basis for the statement I just made. The report from which Mr. Birdsall just read indicates a fair level of demand at $10,000,000 a month if we are permitted to continue our present policy in the designation of areas. There are 12 months in a year, so that runs off at $120,000,000, and we have $150,000,000. So with the best of

experience, arithmetically we could carry. We do not anticipate the best of experience. But it is arithmetically possible.

Mr. ADAIR. On the basis of a revolving fund arrangement.

Mr. KING. Yes, sir.

Mr. ADAIR. Well, to pursue that a little further, then, what could be said in justification of the figure of $150,000,000 rather than, say, a figure of $100,000,000 or $50,000,000? I realize it may not be your figure at all, but I am just trying to clarify it in my own mind.

Mr. KING. I would not like to pick a figure, Mr. Congressman.

Mr. ADAIR. Thank you.

Mr. KING. It is somewhat like tossing coins.

Mr. ADAIR. I think that is all.

Mr. DORN. Does that conclude the testimony?

Mr. BIRDSALL. Yes, sir, Mr. Chairman.

Mr. DORN. Thank you very much, gentlemen.

It is now almost 11 o'clock and some of us would like to hear the Prime Minister of Great Britain. I would appreciate it if the representatives of the various veterans' organizations would please make their testimony as brief as possible, and if you have something to submit for the record, please do so.

I am going to call first on the American Legion.

STATEMENT OF C. H. OLSON, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION; AND RALPH H. LAVERS, DIRECTOR, NATIONAL ECONOMIC COMMISSION, THE AMERICAN LEGION

Mr. OLSON. I am C. H. Olson, assistant director of the national legislative commission of the American Legion, offices at 1608 K Street NW. We appreciate the opportunity to come before you this morning in support of this program to increase the revolving fund for the purpose of extending direct loans to veterans, particularly in rural areas.

Realizing that time is short, with your permission I am going to call upon Mr. Lavers, who is our director of the national economic commission to give you a little more detail.

Mr. LAVERS. My name is Ralph H. Lavers and I am director of the national economic commission of the American Legion under which loan guaranty problems are handled. I have a copy of my statement here which I will submit for the record in the interests of brevity.

(The statement referred to reads as follows:)

STATEMENT OF RALPH H. LAVERS, DIRECTOR OF THE NATIONAL ECONOMIC COMMISSION, THE AMERICAN LEGION

The American Legion is vitally interested in seeing that additional funds are made available to the Administrator of Veterans' Affairs for direct home and farmhouse loans to veterans under title III of the Servicemen's Readjustment Act of 1944, as amended.

The extension of the supplemental direct loan program last September by the Defense Housing Act of 1951 did not increase the amount of money available for direct loans, but did make the $150 million authorization a revolving fund which can be reused as principal repayments are made or as loans are sold to private investors.

To date approximately 2,650 counties or parts of counties have been declared to be eligible for direct loans from the Veterans' Administration. With very few exceptions these areas embrace the smaller towns and semirural sections of

the United States where 4-percent mortgage loans have never been available in significant numbers.

Although approximately 85 percent of all the counties in the United States have been designated as eligible in whole or in part, we estimate that less than one-third of the total World War II veteran population lives in designated direct loan areas. The difference is accounted for by the fact that the eligible areas have been largely confined to the rural and less populous sections of the country.

It is recognized that over the past year the availability of VA guaranteed 4 percent loans from private sources has contracted considerably even in many urban centers, due to a complex of factors which have acted to restrict the supply of money seeking outlet in mortgage investment at relatively low interest rates. In spite of this it has been the general policy of the Veterans' Administration to avoid designation of metropolitan centers as eligible for direct loans and the American Legion believes this policy is justified as the legislative history of the direct loan program clearly shows the congressional intent to make direct loan funds available to veterans living in smaller towns and communities where VA guaranteed 4 percent loans had never been available in any significant quantity from private lenders. Moreover, many persons overlook the fact that despite the declines from the peak levels of 1950, private lenders are still making 4 percent loans in substantial numbers in comparison with many past periods in the loan guaranty program. Thus, applications for guaranteed home loans are still totaling approximately 25,000 to 30,000 per month. Most of these loans are being originated in our larger towns and urban centers. I would like to add that it is not the intent of the American Legion to put the Government in competition with conventional financing where this financing of GI loans is available.

It is interesting to note the limited magnitude of the funds available for direct loans. From the initiation of the direct loan program in July 1950 through December 31, 1951, a total of almost 20,000 direct loans with an initial principal amount of $134.4 million had been approved by VA. An additional $13 million had been reserved for loans in process, bringing the total amount reserved through December 31, 1951, to $147.4 million. Thus the remainder of the $150 million authorization ($2.6 million) plus the amount returned to the revolving fund through principal repayments to date ($4.1 million) amounts to approximately $6.7 million. Compared with the average amount reserved per month in the 17 months since the program was initiated (nearly $9 million), it is obvious that funds for direct loans will shortly be completely exhausted.

Unless Congress decides to increase the ceiling on the revolving fund, the only funds which will be available for direct loans in the future will be from principal repayments on outstanding loans and from the sale of loans to private investors. VA has estimated that principal repayments will amount to less than $500,000 per month. In view of the present lack of interest on the part of most investors in 4-percent mortgages, it seems safe to predict that, at least in the next few months, the volume of sales plus repayments, will be far less than the amount which will be required to process direct loans for qualified veteran applicants.

The American Legion urgently requests the Congress to grant these additional funds for the operation of the direct-loan program under the GI bill of rights.

In closing, I am deeply grateful to this subcommittee for allocating this time to the American Legion in order that we may present our testimony to you.

Mr. LAVERS. I would like to say, in answer to the last question, the question that was asked by the member of the committee, that the American Legion, in studying this program, feels that the minimum amount that should be granted is $150,000,000. We have based that on several factors, one being the amount of money that was loaned under the direct loan provisions of the program in the first months of its operation; the number of people that we have contacting our offices in the rural areas looking for that type of loan, and some of the distress areas, such as in the State of Washington where we had a county wiped out by forest fire, where there are many veterans waiting to get a direct loan and where conventional loans are not available to them.

I would like to add also that we are not interested in seeing the Federal Government go into the loan business in competition with conventional loan organizations, but we do feel that the young men

in rural areas should be given an opportunity to establish themselves in a home and under this program they can do it.

I thank you for tnis opportunity.

Mr. DORN. If there is no further statement from the American Legion and no questions, I am going to call upon the representatives of the Veterans of Foreign Wars.

STATEMENT OF ADIN M. DOWNER IN BEHALF OF VETERANS OF FOREIGN WARS

Mr. DOWNER. Mr. Chairman, in view of Mr. Birdsall's very excellent and comprehensive statement and the facts submitted by Mr. Kelsey and Mr. King, I will be as brief as I possibly can. I would like to say to you that the Veterans of Foreign Wars support this legislation. I also would like to call attention to one fact that is so obvious it might possibly be overlooked—that is that this bill is not for a Government expenditure, but it is a Government investment. The past experience in the veterans' loan field as testified by Mr. King shows it is a very sound investment.

I should also like to mention briefly that when the program was originally established, the direct loans were made available in the rural areas for the reason that credit was not available there. That reason now exists in the urban areas. Therefore, there is now the same reason to make them available in the urban areas that there was originally in the rural areas. I know from the experience of our organization that there are a great many veterans today who are desperate because of the fact that they are unable to find the necessary credit to finance a home, and we frankly do not believe in fighting inflation by denying a home to a homeless veteran.

We believe that serious consideration should be given to the extension of this program into more urban areas.

Mr. DORN. Do you feel that this program also stimulates more interest among the private lending agencies in extending loans?

Mr. DOWNER. Yes, sir. I think very definitely it does, Mr. Dorn.

Mr. DORN. And you do feel a very definite need in rural areas for the continuation of this program?

Mr. DOWNER. Yes, sir.

Mr. DORN. Is that all you have to say?

Mr. DOWNER. Yes, sir; that is all.

Mr. DORN. Thank you very much. Now we would like to hear from the Disabled American Veterans.

STATEMENT OF MR. CHARLES E. FOSTER IN BEHALF OF DISABLED AMERICAN VETERANS

Mr. FOSTER. I am not going to take up any of your time here other than to say that the Disabled American Veterans is in wholehearted support of the bill under consideration.

In regard to one question that was raised, I might not have the answer to it, but there is a possible yardstick that could be used. You asked why the figure of $150,000,000 was selected. I don't know—but the program has been in effect about 2 years. Under present law it will continue in effect approximately another 2 years. The original authorization of $150,000,000 is about exhausted, and I

think that a fair yardstick to continue the program over its remaining life, even with a revolving fund feature, would be an additional $150,000,000.

I do hope that the committee will report the bill favorably. Thank you.

Mr. DORN. Thank you. Now we would like to hear from the AMVETS.

STATEMENT OF MR. RUFUS H. WILSON, ASSISTANT SERVICE DIRECTOR OF AMVETS

Mr. WILSON. I have a statement I would like to submit for the record.

(The statement referred to reads as follows:)

STATEMENT OF RUFUS H. WILSON, ASSISTANT SERVICE DIRECTOR OF AMVETS

Mr. Chairman and members of the committee, AMVETS appreciate the opportunity of appearing here this morning in order that we might offer our views on H. R. 5893, a bill making available to the Administrator of Veterans' Affairs additional funds for direct home and farm loans pursuant to provisions of the Servicemen's Readjustment Act of 1944, as amended.

AMVETS endorse H. R. 5893 and urge its passage. Our support stems from the facts that we have learned from the short history of the present direct-loan authority of the Veterans' Administration and from our experience regarding GI loans, prior to the passage of the legislation granting such authority.

H. R. 5893 would double the present amount of money available to the VA for this purpose. Therefore it may be estimated that approximately 16,000 more veterans would be able to obtain a GI loan if this bill were to become law.

The Veterans' Administration informs us that the $150 million presently available for direct loans has been exhausted. Although there is a probability that a certain amount of this money may once again be available for loans as a result of the resale of mortgage provisions of the Housing Act of 1951, AMVETS feel that it is imperative that additional money be made available by the Congress.

The direct loan provisions of the housing laws have advantageously served the veterans of World War II. Veterans who heretofore could not obtain loans as a result of a shortage of 4-percent money have been able to get GI loans. In addition, an undetermined number of veterans have had mortgage money made available to them because lenders have been more liberal with GI money than they were previously due to the effect of the direct loan authority of the Veterans' Administration.

AMVETS believe that many veterans have just now reached that economic position necessary before a home or farm purchase may be made. Naturally, therefore, we feel that the reasons that originally motivated the Congress in the passage of the present law still exist. In fact, we feel that these reasons are even more prevalent today than they were at that time.

It should be pointed out that the Federal Government is not competing with private lenders in this program. In those areas where direct loans have been made there has been no other money available to veterans for home or farm buying. The VA has been extremely diligent in carrying out the obvious intent of Congress regarding such competition. AMVETS are convinced that an increased amount of money to carry forth this worth-while activity would be allocated in the same manner by the Veterans' Administration; thereby once again insuring that, insofar as possible, the Government would not be in competition with private enterprise.

A $150 million allocation to the VA for the purposes stated above would result in several thousand veterans having the opportunity to take advantage of one of the most important provisions of the GI bill of rights. The veterans affected have waited a long time to become real-estate owners. We in AMVETS therefore feel that the Congress would be providing a vitally needed service and benefit if H. R. 5893 were enacted into law.

We are in full endorsement of this bill and we hope that the Congress will see fit to enact it into law.

Just as a sideline, I would certainly like to compliment the Veterans' Administration this morning for the fine testimony they offered on this bill. A great many people often criticize the Veterans' Administration, including this organization, but as far as the home-loan-guaranty program is concerned, my organization believes that they have done a very creditable job and they should be highly complimented.

Other than that, sir, I just hope that the Congress will pass the bill and we are in full endorsement of it.

Mr. DORN. Thank you, Mr. Wilson.

Is there any other representative of any veteran organization or any veteran here that would like to be heard? We would be delighted to hear from anyone else at this time.

If there are no further witnesses, the subcommittee will go into executive session.

(Whereupon, at 11:02 a. m., the subcommittee went into executive session.)

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